NORTH CAROLINA GENERAL ASSEMBLY

Session 2019

Fiscal Analysis Memorandum

CONFIDENTIAL

Requestor: Senators Tillman, Hise, and Newton
Analyst(s): Mark Collins
RE: Medicaid Funding Act/HHS mini

SUMMARY TABLE

FISCAL IMPACT OF S.B. 808, V.2 ($ in millions)

	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
State Impact					
General Fund Revenue*	220.0	132.0	258.0	255.0	232.0
Less Expenditures	455.6	21.0	15.0	15.0	3.0
General Fund Impact	**(235.6)**	**111.0**	**243.0**	**240.0**	**229.0**
Special Fund Revenues**	15.0	-	-	-	-
Less Expenditures	84.4	-	-	-	-
Special Fund Impact	**(69.4)**	**-**	**-**	**-**	**-**
NET STATE IMPACT	**($305.0)**	**$111.0**	**$243.0**	**$240.0**	**$229.0**

*GF Revenue includes transfers from the Medicaid Contingency Reserve ($136 million) and Medicaid Transformation Reserve ($84 million) in FY 2020-21.
**SF Revenues include a $15 million transfer from the General Fund (also included in GF Expenditures) in FY 2020-21.

FISCAL IMPACT SUMMARY

Senate Bill 808 appropriates $440.6 million from the General Fund on a nonrecurring basis for the Medicaid and NC Health Choice (NCHC) rebase ($433 million), required updates and changes to NC FAST ($6.2 million), and an electronic visit verification (EVV) system required under federal law ($1.4 million). In addition, $15 million from the General Fund is transferred to the State Capital and Infrastructure Fund (SCIF). Transfers of cash balances from Medicaid reserves fund $220 million of the Medicaid and NCHC rebase.

The bill also includes special fund appropriations of $15 million from SCIF and $19.4 million from the Medicaid Transformation Fund, funded with transfers from the General Fund and the Medicaid Transformation Reserve, respectively, as well as a $50 million special fund appropriation designated for local management entities/managed care organization (LME/MCOs) from the Coronavirus Relief Fund.

The bill also requires Medicaid managed care to begin no later than July 1, 2021. The State's existing hospital assessments are revised for managed care; the revisions will have no net impact on the General Fund. The prepaid health plan (PHP) gross premiums tax will generate additional General Fund revenue beginning in FY 2021-22 ($115 million in FY 2021-22 and $147 million in FY 2022-23). Finally, a 3-year managed care rate floor on durable medical equipment (DME) will increase Medicaid expenditures beginning in FY 2021-22, resulting in a General Fund expenditure increase of $4 million annually while the floor is in place.

FISCAL ANALYSIS

Part I transfers $15 million from the General Fund to SCIF and appropriates the $15 million from SCIF for the Dorothea Dix campus relocation project.

Part II appropriates $6.2 million from the General Fund for required updates and changes to the child welfare case management component of NC FAST.

Part III transfers $50 million from the Coronavirus Relief Reserve to the Coronavirus Relief Fund and appropriates the funds for distribution to the LME/MCOs to fund behavioral health and crisis services in response to COVID-19.

Part IV prevents the transfer of funds from the FY 2019-20 Medicaid and NCHC surplus to LME/MCOs to offset reductions to LME/MCO single stream funding.

Part V provides funds for a $463 million Medicaid and NCHC rebase and another $1.4 million for the EVV system. All funds are nonrecurring.

- The Medicaid and NCHC rebase is funded with:
  - $30 million in carryforward funds from the FY 2019-20 Medicaid and NCHC surplus;
  - $84 million from the Medicaid Transformation Reserve;
  - $136 million from the Medicaid Contingency Reserve; and
  - $213 million from the General Fund.
- The EVV system is funded with $1.4 million from the General Fund.

Part VI requires Medicaid eligibility redeterminations for individuals who have had their Medicaid eligibility extended due to the federal requirement that beneficiaries not be terminated during the COVID-19 national public health emergency for a state to receive the higher federal Medicaid match. Redeterminations must occur within 60 days of the end of the national emergency.

Part VII establishes the required components for Medicaid Transformation.

- Section 7 requires managed care to begin no later than July 1, 2021, and requires monthly payments to the PHPs if managed care is delayed beyond that date.
- Section 8 transfers $19.4 million from the Medicaid Transformation Reserve to the Medicaid Transformation Fund and authorizes DHB to access the funds to support qualifying Medicaid transformation projects and contracts.

- Section 9 repeals past session laws that directed the Department of Health and Human Services (DHHS) to eliminate graduate medical education payments.
- Section 10 requires DHHS to ensure that its hotline is responsive to questions about Medicaid transformation.
- Section 11 establishes a managed care rate floor for DME equal to 100% of the Medicaid fee-for-service rates. The rate floor must be in place for the first three years of managed care and will increase Medicaid capitation rates by an estimated $12 million annually in FY 2021-22 through FY 2023-24, resulting in additional General Fund expenditures of $4 million annually while the floor is in effect.
- Section 12 authorizes DHHS to contract with an Indian managed care entity or an Indian health care provider for health care and health-related services provided to eligible beneficiaries. Funding of $9 million in FY 2021-22 and $3 million annually thereafter would be fully supported with federal Medicaid receipts.
- Section 13 transitions the existing physician upper payment limit program to align with federal managed care requirements. The program will continue to be fully receipt-supported in managed care.
- Section 14 establishes the Medicaid Contingency Reserve in statute.
- Section 15 revises the existing hospital assessments to align with federal managed care requirements. The revised hospital assessments will continue to pay for the non-federal share of higher hospital rates, as well as the annual State Medicaid payment (i.e., State retention). The new assessments will begin July 1, 2021, and the assessment rates for July 2021 through September 2021 are set in the bill at:
    - 2.32% of hospital costs for the supplemental assessment; and
    - 2.04 of hospital costs for the base assessment.

  Only one-quarter of the calculated amount would be owed since the rates would only be in effect for one quarter of the tax year (October 1 through September 30). New rates would be set for subsequent tax years.
- Section 16 applies the State's existing 1.9% premiums tax to Medicaid capitation payments received by PHPs in the same manner in which the tax currently applies to gross insurance premiums. The extension of the tax to PHPs is expected to generate $115 million in FY 2021-22 and $247 million in FY 2022-23.
- Section 17 establishes a new Hospital Uncompensated Care Fund to aid with distribution of federal Disproportionate Share Hospital (DSH) payments.
- Section 18 establishes intent language to adjust the nontax revenue language in FY 2021-22 to reflect managed care changes.

Part VIII appropriates any departmental receipts that are needed to implement the bill.

Part IX sets the effective date for the bill.

TECHNICAL CONSIDERATIONS

N/A.

DATA SOURCES

Department of Health and Human Services, Fiscal Research Division

FISCAL ANALYSIS MEMORANDUM – PURPOSE AND LIMITATIONS

This document is a fiscal analysis of a bill, draft bill, amendment, committee substitute, or conference committee report that is confidential under Chapter 120 of the General Statutes. The estimates in this analysis are based on the data, assumptions, and methodology described in the Fiscal Analysis section of this document. This document only addresses sections of the bill that have projected direct fiscal impacts on State or local governments and does not address sections that have no projected fiscal impacts. This document is not an official fiscal note. If a formal fiscal note is requested, please email your request to the Fiscal Research Division at FiscalNoteRequests@ncleg.net or call (919) 733-4910.